

12 August 1985

MEMORANDUM FOR THE RECORD

SUBJECT: Notes on OPM Update on Performance Management

"The Personnel Management process has taken a turn to performance orientation . . . [and] put the employee's fate in their own hands because they are responsible for their performances . . ."

David Dougherty, OPM, Chief - Performance Appraisal Policy Branch

1. On 24 July 1985, I attended an Office of Personnel Management (OPM) meeting entitled, Performance Management Update. It was divided into two main sessions. The morning session--"Update on Performance Management Regulations and Guidance"--was conducted by David Dougherty, Chief, Performance Appraisal Policy Branch, OPM. Although Dougherty explicitly stated in his initial remarks that the meeting was geared toward representatives of agencies that have already designed and implemented performance management programs, the morning session was informative. Audience reaction was good and the information Dougherty presented provoked a number of questions from those in attendance. The afternoon session--"Update on Performance Management Skill Development"--was conducted by Paul Slattery, a consultant to OPM. This session was poorly planned and weakly presented. It consisted mainly of case studies with very little discussion of the underlying philosophy/psychology of performance management.

2. UPDATE ON PERFORMANCE MANAGEMENT REGULATIONS AND GUIDANCE

THE PERFORMANCE MANAGEMENT SYSTEM (Instituted by regulation for employees up to and including GS-12)

Recently, a series of major changes were instituted in the Federal government to make performance a key factor in appraisals, promotions, WGIs, QSIs, RIFs and to "some extent, removals." Although the implementing regulations were published some time ago, the changes only became effective on 1 July 1985. OPM's intent in promulgating these regulations was to introduce consistency among the performance appraisal programs developed by agencies of the Federal government.

The Civil Service Reform Act of 1978 delegated the responsibility to develop performance appraisal systems to individual agencies so that they could best meet their own particular needs. In 1983, OPM decided that the systems developed by Federal agencies should be reviewed with the intent of introducing consistency government-wide. Dougherty cautioned, this OPM

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action should not be interpreted as removing the authority of individual agencies to develop their own performance appraisal systems, but rather as ensuring that certain fundamental points are incorporated into all systems.

OPM is requiring agencies to:

- (1) Employ the following five (5) summary ratings in evaluations:
 - (a) unacceptable;
 - (b) minimally satisfactory;
 - (c) fully successful;
 - (d) exceeds fully successful; and
 - (e) excellent;
- (2) Allow employees more time to come up to fully successful;
- (3) Require that a formal system be maintained so that employee requests for reconsiderations of their ratings be handled in a fair and equitable manner. An existing grievance system can be used for this purpose or a separate documented system can be developed. (Reconsideration applies to all ratings not just unsatisfactory ones);
- (4) Rate employees when they are detailed to/from other agencies;
- (5) Prepare employee performance plans and performance standards that are tied to organizational objectives and ensure that those plans and standards are reviewed by someone higher than the employee's first line supervisor; and
- (6) Ensure that the ratings are reviewed by the individual higher than the first line supervisor before they are communicated to employee.

Under the performance management system, career ladder promotions must have ratings of fully successful on each key element and there must be some similarities between present position and those associated with position to which promoted. (Highest rated employees get the promotions.)

Employees must have a summary rating of fully successful and each key element must be rated fully successful in order to receive a Within Grade Increase (WGI). Quality Step Increases (QSIs) are limited to individuals who receive summary ratings of outstanding. Performance awards are established for the first time that are linked directly to performance ratings. To receive a performance (cash) award an individual must have a rating of "exceeds fully successful" in one critical element or in the summary rating. A cash award can be given in lieu of a QSI.

Reductions in Force (RIFs)

Summary ratings play an important part in devising a retention register at the time Reductions in Force (RIFs) take place. An employee's last three

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summary ratings are reviewed and retention credit given as follows:

<u>Summary Rating</u>	<u>Retention Credit</u>
Outstanding	10 years
Exceeds Fully Successful	7 years
Fully Successful	5 years

These credits are added to actual years of service, thus making performance and seniority important in determining retention. (If for some reason, such as transfer from another agency of the government, ratings for the past three years are not available for an employee, credit is determined by treating the employee as if he or she had been rated fully successfully for each unrated period.)

3. PERFORMANCE MANAGEMENT AND RECOGNITION SYSTEM (Instituted by statute for GS-13 - GS-15)

The Performance Management and Recognition Systems (PMRS) is designed to replace the Merit Pay System. It covers the same individuals that the Merit Pay System covered; and, it excludes the same categories of individuals the Merit Pay System did. The PMRS uses performance appraisals as a basis for pay and performance awards for GS-13 - GS-15, supergrades and management officials. This new system provides equity in performance increases for managers. Under the Merit Pay System there were instances in which managers received less than the individuals of the same grade they were supervising.

The statute requires that funding levels, which establish the minimum amount of money to be spent, for performance awards be established by agencies. Forced distribution is prohibited by the statute. This was one of the biggest problems, Dougherty commented, with performance based pay.

PERFORMANCE - GENERAL INCREASE LINKAGE

<u>Performance Rating</u>	<u>General Increase</u>
Level 3 (Fully Successful or Better)	Full General Increase Guaranteed
Level 2 (Minimally Successful)	One-Half General Increase
Level 1 (Unacceptable)	No General Increase

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PERFORMANCE - WITHIN GRADE INCREASE

CURRENT PAY	PERFORMANCE	MERIT INCREASE (GS Within Grade Equivalent) Each Year
First Tercile (Up to Step 4 of GS)	Level 3 (Fully Successful or Better)	Full Merit Increase
Second & Third Terciles (Step 4 and above of GS)	Level 5 (Outstanding)	1. Full Merit Increase
	Level 4 (Exceeds Fully Successful)	2. One-Half Merit Increase
	Level 3 (Fully Successful)	3. One-Third Merit Increase
Any Tercile	Below Level 3 (Minimally Successful) (Unacceptable)	No Merit Increase

To increase the effectiveness of the program it is necessary to involve both supervisor and employee in the development of job standards. Before those standards are established, however, they must be approved by someone above the employee's first line supervisor. Once approved they must be given in writing to the employee at the beginning of the appraisal period.

As with the Performance Management System reconsideration of a rating is required at the employee's request and must be done by someone in a position higher than the individual who approved the original rating. Thus, the reviewer must be at least two levels above the employee's first line supervisor. There is no appeal outside a particular agency.

PERFORMANCE STANDARD REVIEW BOARD

The Performance Standard Review Board must be appointed by the Head of an agency and must contain at least six people. An agency can have more than one such Board.

Basic Requirements

Six members chosen by the Head of an agency; one-half of the members must be competitive service (PMRS) employees; chairperson is chosen by Head of agency;

The Board will review performance plans for quality;

Review performance ratings for equitable application of standards; and

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Study the feasibility of organization awards and provide technical assistance to those who implement the Performance Management and Review System.

Performance Awards

Performance awards are in addition to base pay. Generally, performance awards reflect up to 10% of base pay, but no less than 2% of basic pay (after FY 85) for outstanding performance. They may go up to 20% of basic pay for unusually outstanding performance.

Funding for Performance Awards is:

MINIMUM = .75% of base payroll in FY 85

MINIMUM = 1.15% of base payroll by FY 89

MAXIMUM = 1.50% of base payroll by FY 89

IF PERFORMANCE RATING IS	THEN PERFORMANCE AWARD IS
Level 5	Mandatory
Level 4	Optional (but strongly recommended)
Level 3	Optional
Level 2	Nothing
Level 1	Nothing

Within each Performance Awards budget, employees at the same grade who receive a Level 5 rating must receive higher awards than those who receive a Level 4 rating and those with Level 4 ratings must receive higher awards than employees with Level 3 ratings, etc., except when recent promotion is involved.

Cash Awards

Cash awards are in addition to performance awards. They parallel the existing incentive awards which provides recognition for suggestion, invention, superior accomplishment and unique or special acts or services.

Cash awards "are to be used for contributions that are unique, highly exceptional and unusually outstanding and which are far beyond normal job responsibilities and performance standards."



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